

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

BRIGHTON AREA
FIRE AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

BRIGHTON AREA FIRE AUTHORITY

AUTHORITY BOARD

Michael Corrigan
Geri Harmon
Katherine Jones
Gary McCrie
James Mortensen
Lawrence Schillinger
Mary Sullivan

ATTORNEY

Neal Nielsen, P.C.

AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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November 12, 2005

Board of Trustees
Brighton Area Fire Authority
615 W. Grand River
Brighton, Michigan 48116

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Brighton Area Fire Authority as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brighton Area Fire Authority, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 - 11 and pages 30 to 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brighton Area Fire Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, fairly states in all material respects in relation to the basic financial statements as a whole

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2005

Within this section of the Brighton Area Fire Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2005. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Authority as a Whole

The Authority had implemented the new financial reporting model used in this report beginning with the fiscal year ended June 30, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Authority as a whole.

The Authority's net assets at the end of the fiscal year were \$3,101,389. This is a \$154,965 increase over last year's net assets of \$2,946,424.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities 06/30/2005	Governmental Activities 06/30/2004
Current and other assets	\$ 2,169,660	\$ 1,880,306
Capital assets	1,077,812	1,221,767
Total assets	<u>3,247,472</u>	<u>3,102,073</u>
Accounts payable	42,357	58,343
Accrued expenses	103,726	97,306
Total liabilities	<u>146,083</u>	<u>155,649</u>
Net assets:		
Invested in capital assets	1,077,812	1,221,767
Unrestricted	2,023,577	1,724,657
Total net assets	<u>\$ 3,101,389</u>	<u>\$ 2,946,424</u>

Summary of Changes in Net Assets

	Governmental Activities 06/30/2005	Governmental Activities 06/30/2004
Revenues:		
Program revenues		
Charges for services	\$ 39,456	\$ 27,872
Operating grants and contributions	7,778	135,246
General revenues		
Property taxes	2,125,376	1,953,190
Other	31,550	25,390
Total revenues	<u>2,204,160</u>	<u>2,141,698</u>
Expenses for fire protection	<u>2,049,195</u>	<u>1,887,204</u>
Increase in net assets	154,965	254,494
Beginning net assets	<u>2,946,424</u>	<u>2,691,930</u>
Ending net assets	<u><u>\$ 3,101,389</u></u>	<u><u>\$ 2,946,424</u></u>

Changes in Financial Status

The increase in net assets of \$154,965 in the current year is typical for the Brighton Area Fire Authority. This increase is essential for fire departments in order to fund future capital improvements and the increasing costs of operations.

Financial Analysis of the Authority's Funds

The Authority's General Fund had revenues over expenditures from current year operations totaling \$310,652 to add to its fund balance. Of this amount \$140,000 was transferred to fund capital outlay purchases and anticipated personnel expenditures. Significant capital outlay was purchased this year totaling \$350,719 from the capital reserve equipment fund. \$290,000 of this amount was paid as a deposit for two new fire trucks. The Authority purchases all capital outlay from the capital reserve fund.

General Fund Budgetary Highlights

The original General Fund budget adopted by the Authority was created prior to the beginning of the fiscal year outlining the Authority's anticipated financial operations. Small amendments were required from the originally adopted budget to reflect economic reality. Expenditures exceeded the budget in two activities, but was under the total budget by \$109,109.

Capital Asset and Debt Administration

The Authority spent \$350,719 acquiring new equipment. That total included the following items:

	<u>Cost</u>
Deposit on 2 trucks	\$ 290,000
Washer/Extractor	9,424
Ice water response rescue kit	7,845
Gasoline blower	8,441
150 gallon skid unit	13,995
Other under \$5,000 per item	<u>21,014</u>
	<u>\$ 350,719</u>

There were no capital assets disposed of during the fiscal year.

For the year ended June 30, 2005 there was no debt either acquired or extinguished.

Economic Conditions and Future Activities

Future operations will be funded primarily by property taxes collected. This amount is expected to increase slightly next year due to increases in new development. The current millage expires in December 2005. The Authority plans to request a renewal for the following five years.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Brighton Area Fire Authority.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,831,218
Accounts receivable	43,384
Capital assets:	
Prepaid expenses	5,058
Deposit on trucks	290,000
Leasehold improvements	20,492
Office equipment	111,853
Operating equipment	475,455
Transportation equipment	2,658,429
Less: accumulated depreciation	<u>(2,188,417)</u>
Total assets	<u>3,247,472</u>
LIABILITIES	
Accounts payable	42,357
Accrued expenses	<u>103,726</u>
Total liabilities	<u>146,083</u>
NET ASSETS	
Investment in capital assets	1,077,812
Unrestricted	<u>2,023,577</u>
Total net assets	<u>\$ 3,101,389</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Fire protection services	<u>\$ (2,049,195)</u>	<u>\$ 39,456</u>	<u>\$ 7,778</u>	<u>(2,001,961)</u>
General Revenues:				
Property taxes, levied for general purpose				2,125,376
Investment income				27,324
Other revenues				<u>4,226</u>
Total general revenues				<u>2,156,926</u>
Change in net assets				154,965
Net assets, July 1, 2004				<u>2,946,424</u>
Net assets, June 30, 2005				<u>\$ 3,101,389</u>

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Major Funds</u>		<u>Non-major Fund</u>	
	<u>General</u>	<u>Capital Reserve Equipment Fund</u>	<u>Compensated Absences Reserve Fund</u>	<u>Total</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 1,197,402	\$ 588,769	\$ 45,047	\$ 1,831,218
Accounts receivable		43,384		43,384
Prepaid expenses	<u>5,058</u>			<u>5,058</u>
Total assets	<u>\$ 1,202,460</u>	<u>\$ 632,153</u>	<u>\$ 45,047</u>	<u>\$ 1,879,660</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 42,357	\$	\$	\$ 42,357
Accrued wages	43,792			43,792
Accrued vacation and sick	23,136			23,136
Accrued pension and withholding	<u>36,798</u>			<u>36,798</u>
Total liabilities	<u>146,083</u>			<u>146,083</u>
FUND BALANCES				
Unreserved	1,056,377			1,056,377
Designated		<u>632,153</u>	<u>45,047</u>	<u>677,200</u>
Total fund balances	<u>1,056,377</u>	<u>632,153</u>	<u>45,047</u>	<u>1,733,577</u>
Total liabilities and fund balances	<u>\$ 1,202,460</u>	<u>\$ 632,153</u>	<u>\$ 45,047</u>	<u>\$ 1,879,660</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balance - governmental funds		\$ 1,733,577
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet:		
Deposit on trucks	\$ 290,000	
Historical cost	3,266,229	
Accumulated depreciation	<u>(2,188,417)</u>	
Net book value of capital assets		<u>1,367,812</u>
Net assets of governmental activities		<u>\$ 3,101,389</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Major Funds		Other Non-major Fund	
	General Fund	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
<u>REVENUES</u>				
REVENUES				
Taxes	\$ 2,125,376	\$	\$	\$ 2,125,376
Cost recovery		39,456		39,456
Grant - federal	7,778			7,778
Interest	17,793	9,056	475	27,324
Miscellaneous	4,226			4,226
Total revenues	<u>2,155,173</u>	<u>48,512</u>	<u>475</u>	<u>2,204,160</u>
EXPENDITURES				
Personnel	1,086,317			1,086,317
Contracted services	356,049			356,049
Capital outlay		329,705		329,705
General fire protection	402,155	21,014		423,169
Total expenditures	<u>1,844,521</u>	<u>350,719</u>		<u>2,195,240</u>
Excess of revenues over (under) expenditures	<u>310,652</u>	<u>(302,207)</u>	<u>475</u>	<u>8,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		140,000	10,000	150,000
Transfers (out)	<u>(150,000)</u>			<u>(150,000)</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>140,000</u>	<u>10,000</u>	
Excess of revenues over (under) expenditures and other financing sources (uses)	160,652	(162,207)	10,475	8,920
FUND BALANCE, JULY 1, 2004	<u>895,725</u>	<u>794,360</u>	<u>34,572</u>	<u>1,724,657</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 1,056,377</u>	<u>\$ 632,153</u>	<u>\$ 45,047</u>	<u>\$ 1,733,577</u>

Amounts reported for governmental activities in the Statement of Activities are different due to:

Revenues over expenditures for governmental funds \$ 8,920

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital asset purchases are exceeded by depreciation expense in the current period:

Deposit on trucks	\$ 290,000
Capital asset acquisitions	39,705
Depreciation expense	<u>(183,660)</u>
Total	<u>146,045</u>
Change in net assets of governmental activities	<u>\$ 154,965</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Private- Purpose Trust Fund
ASSETS	
Cash and cash equivalents	<u>\$ 27,241</u>
 NET ASSETS	 <u>\$ 27,241</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Private- Purpose Trust Fund</u>
ADDITIONS	
Public contributions	\$ 31,270
DEDUCTIONS	
Public safety	<u>26,499</u>
Decrease in Net Assets	4,771
NET ASSETS, JULY 1, 2004	<u>22,470</u>
NET ASSETS, JUNE 30, 2005	<u><u>\$ 27,241</u></u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Brighton Area Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended. The Brighton Area Fire Authority Board is appointed by each municipality. The Genoa Township, City of Brighton, and Brighton Township boards each appoint two members to the Brighton Area Fire Authority Board. One final member is selected by these six appointed members. The Authority was created as a joint venture by its members on May 4, 2000 to provide fire protection.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Equipment Fund accounts for the activity associated with the acquisition of capital assets. This fund is supported by the General Fund and costs recovery revenues.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund and fiduciary financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund and all Special Revenue funds. The budget can be amended by approval from the Authority's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Total actual expenditures exceeded budgeted appropriations for the year ending June 30, 2005 in two activities.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Authority's "Rules of Employment".

I. PROPERTY TAXES

The Authority's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Authority as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For the year ended June 30, 2005, the Authority recognized the property taxes levied December 1, 2004 as revenue. Total taxable value was \$2,206,554,492 and the millage rate was set at .9612.

Michigan personal property tax assessments have been based, since the 1960's, on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The State Tax Commission has indicated that it plans to reformulate the multipliers. The State Tax Tribunal has informally indicated that once the new multipliers are approved, it may allow them to be applied retroactively in pending personal property tax appeals.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balances</u> <u>7-01-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6-30-05</u>
Office equipment	\$ 111,853	\$	\$	\$ 111,853
Operating equipment	435,750	39,705		475,455
Leasehold improvements	20,492			20,492
Transportation equipment	<u>2,658,429</u>			<u>2,658,429</u>
	3,226,524	39,705		3,266,229
Accumulated depreciation	<u>(2,004,757)</u>	<u>(183,660)</u>		<u>(2,188,417)</u>
Governmental activities capital assets, net	<u>\$ 1,221,767</u>	<u>\$ (143,955)</u>	<u>\$</u>	<u>\$ 1,077,812</u>

Depreciation expense is being recorded solely for fire protection services. The Authority utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with the capital assets.

NOTE 3 - DEFERRED COMPENSATION PLAN

The Authority offers its full time non-union employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Authority's contribution is 5% of gross wages. As of June 30, 2005, there were seven employees enrolled in the plan. The Authority's contribution for the year totaled \$18,169.

Effective July 1, 2003 the Authority Board approved a deferred compensation plan for all part time employees under IRC Section 401 (A). Part time employees are allowed to defer up to the IRS limit pretax dollars under the above mentioned IRC Section 457 plan. Based on the amount withheld by the part time employee under the IRC Section 457 plan, the Authority will match dollar for dollar up to 5% of the part time employees' gross wages. The amount contributed by the Authority (match) will be paid into the section 401 (A) retirement plan on behalf of each employee. The match for 2004-2005 was \$13,550.64.

The Authority has a separate agreement with its fire chief regarding the deferred compensation plan. Under this agreement, the chief is allowed to contribute to a 457 plan which the Authority does not match. The Authority does, however, contribute 12% of the chief's base wages into a 401(A) retirement plan. The authority's contribution for the year ending June 30, 2005 amounted to \$1,292.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4 - DEFINED BENEFIT PLAN -
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)

This plan was grandfathered into the Authority from the City of Brighton and Brighton Township on July 1, 2002. Only current full time employees that transferred over from the aforementioned municipalities are allowed to participate in this plan.

MERS is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 16, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget.

At December 31, 2004, the under funded pension obligation was \$45,249, determined as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$
Terminated employees not yet receiving benefits	
Current employees -	
Accumulated employee contributions including allocated investment income	2,626
Employer financed	<u>251,839</u>
Total actuarial accrued liability	254,465
Net assets available for benefits at actuarial value	<u>209,216</u>
(Over) funded actuarial accrued liability	<u>\$ 45,249</u>

Due to an administrative error the MERS plan was incorrectly set-up for the Authority. As mentioned earlier, there should only be 4 employees enrolled in the MERS plan. However, the last actuarial report issued shows 7 employees are being covered. The Authority is currently attempting to resolve the issue. Apparently, MERS believed the Authority was offering the plan to all full time employees. This was not the intent of the Authority. The Authority's intent for all new full time employees hired after the Authority was incorporated were to be put into a defined contribution plan.

Covered and total payrolls for the year ended was \$363,375 and \$875,051 respectively. As of June 30, 2005 there were no retirants receiving benefits from the plan. However, in July 2005 there was one retirant (prior fire chief) which was able to start receiving benefits. Total contributions made to the plan during the year ended was \$52,981.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority. The Authority maintains petty cash with an imprest amount of \$200.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Governmental Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured\$	100,000 \$	\$	100,000 \$	100,000
Uninsured and uncollateralized	<u>1,731,219</u>	<u>27,241</u>	<u>1,758,460</u>	<u>1,805,751</u>
	<u>\$ 1,831,219</u>	<u>\$ 27,241</u>	<u>\$ 1,858,460</u>	<u>\$ 1,905,751</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 2,040,000	\$ 2,120,430	\$ 2,125,376	\$ 4,946
Grant - federal		7,778	7,778	
Interest	9,000	12,000	17,793	5,793
Other income	2,000	6,200	4,226	(1,974)
Total revenues	<u>2,051,000</u>	<u>2,146,408</u>	<u>2,155,173</u>	<u>8,765</u>
EXPENDITURES				
Personnel	1,136,490	1,126,630	1,086,317	40,313
Professional services	40,000	28,000	36,049	(8,049)
Insurance	110,000	110,000	92,360	17,640
Equipment and supplies	189,600	194,200	178,621	15,579
Utilities	54,000	48,000	40,028	7,972
Contract - Howell Fire	305,000	320,000	320,000	
Dues and subscriptions	7,500	8,500	6,067	2,433
Physicals and vaccines	15,000	20,000	17,101	2,899
Training and instructions	32,700	35,200	22,463	12,737
Telephone and communications	29,000	26,000	25,334	666
Vehicle lease	5,000	5,600	4,549	1,051
Buildings	14,500	16,500	12,245	4,255
Donation			3,387	(3,387)
Emergency funds	10,000	10,000		10,000
Fire investigation services	5,000	5,000		5,000
Total expenditures	<u>1,953,790</u>	<u>1,953,630</u>	<u>1,844,521</u>	<u>109,109</u>
Excess of revenues over expenditures	97,210	192,778	310,652	117,874
OTHER FINANCING (USES)				
Transfers (out)	<u>(85,000)</u>	<u>(145,000)</u>	<u>(150,000)</u>	<u>(5,000)</u>
Excess of revenues over expenditures and other financing (uses)	12,210	47,778	160,652	112,874
FUND BALANCE, JULY 1, 2004	<u>895,725</u>	<u>895,725</u>	<u>895,725</u>	
FUND BALANCE, JUNE 30, 2005	<u>\$ 907,935</u>	<u>\$ 943,503</u>	<u>\$ 1,056,377</u>	<u>\$ 112,874</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE EQUIPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgets</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Cost recovery	\$ 28,000	\$ 32,000	\$ 39,456	\$ 7,456
Interest	<u>5,000</u>	<u>8,000</u>	<u>9,056</u>	<u>1,056</u>
Total revenues	<u>33,000</u>	<u>40,000</u>	<u>48,512</u>	<u>8,512</u>
EXPENDITURES				
Deposit on vehicles			290,000	(290,000)
Capital outlay	342,173	405,000	39,705	365,295
Small equipment	<u></u>	<u></u>	<u>21,014</u>	<u>(21,014)</u>
Total expenditures	<u>342,173</u>	<u>405,000</u>	<u>350,719</u>	<u>54,281</u>
Excess (deficiency) of revenues over (under) expenditures	(309,173)	(365,000)	(302,207)	62,793
OTHER FINANCING SOURCES				
Transfers in	<u>80,000</u>	<u>140,000</u>	<u>140,000</u>	<u></u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources	(229,173)	(225,000)	(162,207)	62,793
FUND BALANCE, JULY 1, 2004	<u>794,360</u>	<u>794,360</u>	<u>794,360</u>	<u></u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 565,187</u>	<u>\$ 569,360</u>	<u>\$ 632,153</u>	<u>\$ 62,793</u>

BRIGHTON AREA FIRE AUTHORITY
SCHEDULE OF PENSION FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements related to the MERS retirement system.

FIRE EMPLOYEES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
December 31, 2004	\$ 209,216	\$ 254,465	\$ 45,249	82.22%	\$ 323,163	14%

SUPPLEMENTARY
INFORMATION

BRIGHTON AREA FIRE AUTHORITY
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 JUNE 30, 2005

	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
ASSETS			
Cash	\$ 588,769	\$ 45,047	\$ 633,816
Accounts receivable	<u>43,384</u>	<u></u>	<u>43,384</u>
Total assets	<u>\$ 632,153</u>	<u>\$ 45,047</u>	<u>\$ 677,200</u>
 FUND BALANCE	 <u>\$ 632,153</u>	 <u>\$ 45,047</u>	 <u>\$ 677,200</u>

BRIGHTON AREA FIRE AUTHORITY
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDING JUNE 30, 2005

	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
REVENUES			
Cost recovery	\$ 39,456	\$	\$ 39,456
Interest	<u>9,056</u>	<u>475</u>	<u>9,531</u>
Total revenues	<u>48,512</u>	<u>475</u>	<u>48,987</u>
EXPENDITURES			
Deposit on vehicles	290,000		290,000
Capital outlay	39,705		39,705
Small equipment	<u>21,014</u>		<u>21,014</u>
Total expenditures	<u>350,719</u>		<u>350,719</u>
Excess of revenues over (under) expenditures	(302,207)	475	(301,732)
OTHER FINANCING SOURCES			
Transfers in	<u>140,000</u>	<u>10,000</u>	<u>150,000</u>
Excess of revenues over (under) expenditures and other financing sources	(162,207)	10,475	(151,732)
FUND BALANCE, JULY 1, 2004	<u>794,360</u>	<u>34,572</u>	<u>828,932</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 632,153</u>	<u>\$ 45,047</u>	<u>\$ 677,200</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Wages - Chief	\$ 86,430	\$ 85,915	\$ 515
Wages - Fire Marshall	35,000	35,602	(602)
Wages - Deputy chiefs	15,000	15,063	(63)
Wages - Assistant chiefs	105,000	100,467	4,533
Wages - Captains	45,000	38,276	6,724
Wages - Lieutenants	105,000	108,416	(3,416)
Wages - Sergeants	53,000	51,340	1,660
Wages - Firefighters	310,000	301,801	8,199
Contracted services - Jr. Fire Department	4,000	4,000	
Wages and contracted services - inspectors	87,000	88,363	1,625
Wages - Fire board (per diem)	15,500	13,875	(1,363)
Wages - clerical	35,700	35,932	(232)
Wages - compensated absences		(13,491)	13,491
Employee benefits	160,000	154,280	3,522
Payroll taxes	70,000	66,478	5,720
Total personnel	<u>1,126,630</u>	<u>1,086,317</u>	<u>40,313</u>
PROFESSIONAL SERVICES			
Accounting and audit	25,000	24,587	413
Legal fees	3,000	2,636	364
Other - Human resources		8,826	(8,826)
Total professional services	<u>28,000</u>	<u>36,049</u>	<u>(8,049)</u>
INSURANCE	<u>110,000</u>	<u>92,360</u>	<u>17,640</u>
EQUIPMENT AND SUPPLIES			
Equipment rental	7,500	6,504	996
Medical supplies	6,700	5,982	718
Office supplies	16,000	13,995	2,005
Repairs and maintenance	92,000	79,641	12,359
Uniforms and turn-out gear	26,000	27,642	(1,642)
Computers and records management	23,000	21,830	1,170
Gas and oil	23,000	23,027	(27)
Total equipment and supplies	<u>194,200</u>	<u>178,621</u>	<u>15,579</u>
UTILITIES			
Electricity	21,000	18,382	2,618
Gas	18,000	14,913	3,087
Electric and gas - Dorr Road	9,000	6,733	2,267
Total utilities	<u>48,000</u>	<u>40,028</u>	<u>7,972</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CONTRACT - HOWELL FIRE	\$ 320,000	\$ 320,000	\$
DUES AND SUBSCRIPTIONS			
Hazmat	5,000	3,500	1,500
Memberships	<u>3,500</u>	<u>2,567</u>	<u>933</u>
Total dues and subscriptions	<u>8,500</u>	<u>6,067</u>	<u>2,433</u>
PHYSICALS AND VACCINES			
General physicals/vaccines	8,000	5,397	2,603
Grant related	<u>12,000</u>	<u>11,704</u>	<u>296</u>
Total physicals and vaccines	<u>20,000</u>	<u>17,101</u>	<u>2,899</u>
TRAINING AND INSTRUCTORS			
Training supplies	22,000	14,924	7,076
Recertification costs	1,700	937	763
Conferences and public information	<u>11,500</u>	<u>6,602</u>	<u>4,898</u>
Total training and instructors	<u>35,200</u>	<u>22,463</u>	<u>12,737</u>
TELEPHONE AND COMMUNICATIONS	<u>26,000</u>	<u>25,334</u>	<u>666</u>
VEHICLE - LEASE	<u>5,600</u>	<u>4,549</u>	<u>1,051</u>
BUILDINGS			
Cleaning supplies	4,500	3,087	1,413
Repairs and maintenance	<u>12,000</u>	<u>9,158</u>	<u>2,842</u>
Total buildings	<u>16,500</u>	<u>12,245</u>	<u>4,255</u>
DONATION	<u></u>	<u>3,387</u>	<u>(3,387)</u>
EMERGENCY FUNDS	<u>10,000</u>	<u></u>	<u>10,000</u>
FIRE INVESTIGATION SERVICES	<u>5,000</u>	<u></u>	<u>5,000</u>
Total expenditures	<u>\$ 1,953,630</u>	<u>\$ 1,844,521</u>	<u>\$ 109,109</u>



PFEFFER ■ HANNIFORD ■ PALKA
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November 12, 2005

Honorable Board of Trustees
Brighton Area Fire Authority
615 W. Grand River
Brighton MI 48116

Dear Honorable Board of Trustees:

During the audit process for the year ending June 30, 2005, certain items came to our attention which we would like to discuss with you. Those items are as follows:

1. Reconciliation of Retirement Plans - Sect. 457 and 401 (a)

As part of the audit process we spent a significant amount of time reconciling the Authority's deferred compensation plan withholdings and employer contributions to actual payments to verify the liability as of June 30, 2005. We recommend reconciliations be done on an interim basis throughout the year such as monthly or quarterly.

2. Purchases Made on Credit

While reviewing various purchases we found an ex-firefighters name was used for "purchases on credit". Apparently the name was not removed when the ex-firefighter resigned from the department.

We have discussed this issue with the Chief and it has since been resolved for the prior year. However, going forward the list of names allowed to make purchases on credit should be periodically reviewed and updated.

3. Fiduciary Trust Account

The Authority maintains a separate bank account designated for public contributions to be used for specific purposes. In previous years the trust account earned interest and we had recommended the interest be transferred into the general fund. The transfer was never made. We suggest the interest amount of \$864.88 be transferred.

We noticed the trust account did not earn any interest for the past year because it is in a non-interest bearing checking account. The average balance in the account is approximately \$24,000. We recommend the Authority consider transferring the cash to an interest bearing account.

4. Review of Minutes

While reviewing the minutes we noticed budget approvals and amendments at the end of the fiscal year were mentioned, however there were no amounts listed in the minutes to be tied back to the actual budget reports. In the future we suggest the minutes directly mention the dollar amount of the budgeted expenditures by category or at a minimum the total approved expenditures.

5. Donations of Public Monies

While reviewing the repairs and maintenance expense account we found a donation was made by the Authority to the Brighton Area Fire Association in the amount of \$3,386. The State of Michigan does not allow municipalities to make donations of public tax monies. If the payment was for services or goods provided to the Authority by the Association this would not be a problem.

6. Account Coding of Expenditures

While reviewing the repairs and maintenance expense account we found two payments totaling \$8,826 which were related to employee background checks and assessments of a new employee (chief). These payments should have been coded to an account other than repairs and maintenance. We made an audit adjustment to reclass the payments as professional services. Because of this adjustment, the professional services budget amount was understated and a negative variance resulted. We suggest in the future the coding of invoices for payment be reviewed prior to approval.

We would like to thank the Authority officials, accountant and employees that assisted us during the audit process for their cooperation.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of The Brighton Area Fire Authority and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants